

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Benoit Analyst: Kristina E. North Bill Number: AB 1265
Related Bills: None Telephone: 845-6978 Introduced Date: February 21, 2003
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Limited Liability Partnerships/Engineers & Land Surveyors

SUMMARY

This bill would allow engineers and land surveyors to do business in the form of a limited liability partnership (LLP).

This bill also makes corresponding changes to the Business and Professions Code. However, these changes are not discussed in this analysis, as they do not impact the department.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to expand the type of professional businesses that may operate as an LLP.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2004.

POSITION

Pending.

ANALYSIS

STATE LAW

Under the Corporations Code, current law defines a "foreign LLP" as a partnership, other than a limited partnership, formed and governed by the laws of another jurisdiction. It must also be licensed in California to engage in the practice of architecture, public accountancy, or the law.

Under the Corporations Code, current law defines a "registered LLP" as a partnership, other than a limited partnership, registered with the Secretary of State and governed by the laws of California.

Foreign and registered LLPs, including each partner within the entity, must be licensed or authorized to provide professional LLP services.

The Corporations Code defines "professional LLP services" as the practice of architecture, the practice of public accountancy, or the practice of law.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director
Gerald H. Goldberg

Date
4/17/03

THIS BILL

This bill would expand the definitions of “foreign LLP” and “registered LLP” to include an LLP licensed under the laws of the state to engage in the “practice of engineering” and “the practice of land surveying.”

IMPLEMENTATION CONSIDERATION

Implementing this bill would not significantly impact the department’s programs and operations.

TECHNICAL CONSIDERATIONS

A foreign LLP and a registered LLP must be licensed to provide professional LLP services. However, this bill does not amend the definition of “professional LLP services” to include the “practice of engineering” or the “practice of land surveying.” To assure that a foreign or registered LLP may be allowed to provide professional LLP services in the practices of engineering and land surveying, the author may wish to include those practices in the definition of “professional LLP services.”

OTHER STATES’ INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Florida allows geologists and land surveyors to practice as a sole proprietorship, partnership (including LLPs), corporation, or other form of business entity.

Illinois allows engineers to practice as sole owners, partnerships (including LLPs), or corporations. A person licensed under any Act, other than the Illinois Professional Land Surveyor Act, may employ a licensed land surveyor to perform land surveying services incidental to the business of that individual, firm, or corporation.

Massachusetts allows persons engaged in the practice of engineering or land surveying to practice under a firm, co-partnership (including LLPs), corporation, or joint stock association.

Michigan allows a firm to engage in the practice of architecture, professional engineering, or professional surveying. However, it is unclear if they may practice as an LLP.

Minnesota allows a corporation, partnership (including LLPs), or other firm to engage in work of an architectural or engineering character, in land surveying, in landscape architecture, or in geoscience, or use the title of certified interior designer.

New York allows engineers, land surveyors, architects, and landscape architects to join in the formation of a joint enterprise, partnership (including LLPs), professional service corporation, or may form any desired combination of such professions.

FISCAL IMPACT

This bill would not significantly impact the department’s costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would produce a minor revenue gain of less than \$500,000 annually. An engineer or land surveyor may currently do business as a sole proprietor, a general partnership, or a corporation. For purposes of this analysis, and based on department staff experience, it is assumed that the typical existing business form for those entities selecting LLP status under this bill would be general partnerships. General partnerships currently do not pay the \$800 minimum tax. For the 2001 tax year, almost 400 engineering and land surveying partnerships existed. If all of them were to convert to an LLP and pay the annual minimum tax of \$800, a revenue gain of almost \$320,000 annually, which was rounded up, could be realized.

LEGISLATIVE STAFF CONTACT

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